

8 December 2016

Malaysia Regulatory Update: Foreign Exchange Administration (FEA) Rules

Bank Negara Malaysia (“BNM”) had on 2 December 2016 issued the Supplementary Notice on FEA rules which has come into effect on **5 December 2016**. The objectives are to:

- further facilitate foreign exchange risk management;
- promote settlement of trade and investment in Ringgit; and
- enhance the depth and liquidity of onshore financial market

Below are the highlights of the key changes:

- The existing Foreign Currency Accounts (FCA) namely FCA I and FCA II shall be replaced with Trade FCA and Investment FCA, respectively. Funds in Trade FCA shall be used to meet import and loan obligations only, and Investment FCA can be used for investments and other purposes
- A resident without domestic Ringgit borrowings is allowed to undertake any amount of investments abroad and investments in foreign currency assets onshore
- A resident individual, sole proprietor or general partnership **with domestic Ringgit borrowings** is allowed to undertake investments abroad and investments in foreign currency asset onshore for up to RM1 million equivalent in aggregate per calendar year, using funds from conversion of Ringgit, swapping of financial assets and transfers from trade foreign currency accounts
- A resident entity with domestic Ringgit borrowings is allowed to undertake investments abroad and investments in foreign currency assets onshore via its Investment Foreign Currency Account for up to RM50 million equivalent in aggregate per calendar year
- Existing resident investors are not required to unwind any of their current investment positions in foreign currency assets onshore entered prior to 5 December 2016
- Payment by resident exporters for settlement of domestic trade in goods and services is now to be made fully in Ringgit. The exporter requires approval from BNM to continue paying another resident in foreign currencies

For more information on BNM’s ‘Supplementary Notice on Foreign Exchange Administration Rules – Measures to Promote the Development of Malaysian Financial Market’ and BNM’s FAQ, please visit, respectively:

- http://www.bnm.gov.my/index.php?ch=en_announcement&pg=en_announcement&ac=481
- http://www.bnm.gov.my/documents/2016/faq_initiative_onshore_financial_market.pdf